

# Brussels chiefs want to punish Britain, says top German MEP

Oliver Wright Policy Editor  
Sarah Collins Brussels

A senior German politician has accused the European Union's chief negotiator of trying to punish Britain by making a deliberate "mess" of key elements of Brexit.

Hans-Olaf Henkel, deputy head of the European parliament's industry, research and energy committee, warned other MEPs "not to listen" to Michel Barnier, who he said wanted to impose a bad Brexit deal on Britain.

Mr Henkel's comments in an article for *The Times* published today coincide with reports from Brussels suggesting that the Brexit negotiations have become bogged down over the terms of Britain's potential financial settlement. One source suggested that EU negotiators were frustrated that Britain had not brought forward its own proposal to settle the so-called divorce bill.

However, the British side is understood to be arguing that it is not up to the government to propose its own plan at this stage but merely to interrogate the EU's proposition.

One source described the negotiations about money as "robust but respectful", adding that there were still



Hans-Olaf Henkel: Britain should reconsider Brexit

significant legal and technical differences between the two sides.

More progress is understood to have been made on the issue of citizens' rights and other separation issues that could allow both sides to hail progress when this round of negotiations comes to an end tomorrow.

Mr Henkel, a former chief executive of IBM and president of the Federation of German Industries, also turned his fire on the European parliament's Brexit negotiator, Guy Verhofstadt, who he claimed was responsible in "no small part for the disaster of Brexit". "Mr Verhofstadt now wants to punish the British, full stop," he writes. "He says he doesn't want to, but I'm afraid he does. My impression is that Mr Barnier wants to do the same. The reason is simple. They would seek to make sure that Brexit is such a catastrophe that no country dares to take the step of leaving the EU again."

Mr Henkel who sits alongside Con-

## Davis charm offensive fails

Robert Lea Industrial Editor

Attempts by ministers to improve relations with business are failing because government officials have no answers to the dozens of regulatory and commercial issues being raised over Brexit, corporate leaders have complained.

David Davis has led a charm offensive that included a meeting at Chevening, his grace-and-favour country house-share in Kent, this month. The Brexit secretary had admitted that better communication was needed because Theresa May's government was widely seen as being anti-business.

One business leader who was at the Chevening meeting told *The Times*: "We do not have any problem with access now ... The problem is there are a lot of questions that aren't being answered by ministers or their officials. Take the great repeal bill and the issue of regulatory equivalence: the questions aren't being answered because, we are told, they can't be answered."

Another executive present at the meeting, said: "There were many challenging and constructive inputs. But on things like transition, customs union, financial settlements, we were left asking: when will we know?"

The Chevening meeting was not regarded as a great success with business leaders complaining that they had been told not to discuss the contents of briefings after the event, that the atmosphere had been stultifying, that few new insights had been learned and what took five hours could have been done in half an hour.

Present at the meeting were Jes Staley of Barclays Bank, Dame Carolyn McCall, the Easyjet boss who has just quit for ITV, Dave Lewis of Tesco, Matt Brittin of Google and the chief executives of BT, Centrica, National Grid, and the Frenchmen who head the London Stock Exchange and EDF. The CBI and other trade bodies were also represented.

servative MEPs in same European parliament grouping — the European Conservatives and Reformists Group, of which he is deputy chairman — said he still hoped that Britain was reconsidering its decision to leave. He added that even if Brexit went ahead it should be possible to forge close relations with EU-wide institutions such as the nuclear regulator Euratom.

"My position is that the EU must accommodate the British. That will mean some give and take on both sides."

A former trade minister also warned that ministers might have to make some of their Brexit red lines "a little bit dotted" because of the challenges posed by leaving the European Union.

Lord Livingston of Parkhead, a trade minister in David Cameron's government, said many people had been "misled" about the ease of Brexit, and that the uncertainty felt by businesses was becoming increasingly problematic.

Future trade deals with other countries would take years to negotiate if they were to be in Britain's interest, he added. "The thing about trade deals is you can either have a quick trade deal, you can have a good trade deal or you can have a comprehensive trade deal," he said during a Lords debate. "You can't have all three and I think the UK needs to focus on the last two of these. Quick timing isn't in our favour."

Referring to remarks made by Boris Johnson, the foreign secretary, about Brexit, Lord Livingston said: "Having our cake and eating it is just not available. The cake shop shuts in 18 months' time and we have to recognise that. As a country, we need to buy some time to avoid the cliff edge. We need to show some realism."

Lord Hain, a former Labour cabinet minister, argued that leaving the single market would be a "total nightmare". On the plans to leave the free trade bloc and customs union, he said: "Why on earth do we ever imagine that we'd get a better deal let alone the same terms as we have done? This is moonshine."

In the Commons Philip Hammond, the chancellor, hinted that he would be prepared to talk to Labour MPs about a cross-party strategy to secure a transitional deal that protected Britain's national identity. Chris Leslie, a former Labour shadow chancellor, suggested that a longer transition period might "secure a lot of support on all sides of the House". The chancellor replied: "I welcome any opportunity to build consensus across the House and across the nation."

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## Ministers keep a lid on their squabbles for official photo

The cabinet showed a united front yesterday as they gathered for their first official photograph at Downing Street since Theresa May's post-election reshuffle. All members of the cabinet were included plus Sir Jeremy Heywood, head of the civil service. The portrait behind them is of Ada Lovelace, the mathematician.

BACK ROW: 1 Sir Jeremy Heywood, cabinet secretary; 2 Gavin

Williamson, chief whip; 3 Jeremy Wright, attorney-general; 4 Sir Patrick McLoughlin, party chairman and chancellor of the Duchy of Lancaster; 5 Elizabeth Truss, chief secretary to the Treasury; 6 Andrea Leadsom, leader of the House of Commons; 7 Brandon Lewis, immigration minister.

MIDDLE ROW: 8 Karen Bradley, culture, media and sport secretary; 9 James Brokenshire,

Northern Ireland secretary; 10 Alun Cairns, Welsh secretary; 11 Chris Grayling, transport secretary; 12 David Gauke, work and pensions secretary; 13 Greg Clark, business secretary; 14 Sajid Javid, communities secretary; 15 Baroness Evans of Bowes Park, leader of the House of Lords; 16 David Mundell, Scottish secretary; 17 Michael Gove, environment secretary; 18 Priti Patel, international development secretary.

FRONT ROW: 19 Liam Fox, international trade secretary; 20 David Lidington, justice secretary; 21 Sir Michael Fallon, defence secretary; 22 Amber Rudd, home secretary; 23 Damian Green, first secretary of state; 24 Theresa May, prime minister; 25 Philip Hammond, chancellor; 26 Boris Johnson, foreign secretary; 27 Justine Greening, education secretary; 28 David Davis, Brexit secretary; 29 Jeremy Hunt, health secretary.

## Backbenchers take May's side against 'ferrets' in cabinet

Francis Elliott Political Editor

Theresa May has been told that she has the backing of Tory backbenchers to fire disloyal cabinet ministers described by a leading activist as behaving like "ferrets in a sack".

Charles Walker, a vice-chairman of the 1922 Committee, said Mrs May had been told that Tory MPs would back dismissals from the cabinet at a private meeting last week. "We unanimously made it clear to her that if she had to remove secretaries of state then she would have our support," Mr Walker told *World at One* on BBC Radio 4.

Anger has been growing in recent days over a series of briefings and leaks targeting Philip Hammond, the chancellor, with one cabinet minister describing those responsible as testosterone-fuelled donkeys.

With the cabinet split over Brexit, Boris Johnson, Michael Gove and David Davis have all denied briefing against Mr Hammond.

Andrea Leadsom, however, boosted speculation that she was aiming to take over from Mrs May. In a Commons debate Mrs Leadsom objected to the Labour MP Darren Jones's claim that there were "a group of middle-aged men protecting their egos in a bid to take over from a lame-duck prime minister." She asked Mr Jones "whether he just called me a middle-aged man?" Mr Walker was one of a number of Tory MPs and activists to express frustration publicly yesterday as the backlash against the briefings grew.

Sir Robert Atkins, who served in the administrations of Margaret Thatcher and John Major and is now chairman of the Conservatives in northwest England, said that some "childish and disloyal" cabinet ministers "whose ambitions far exceed their abilities" were behaving like "ferrets in a sack" as they jockey to succeed Mrs May as leader.

The senior activist, who was an MP for 18 years and an MEP for 15, did not name the ministers whom he blames for a rash of leaks from cabinet. But he said: "The Conservative membership in

my region — and, I think, elsewhere — is, of course, very unhappy with the result of the general election and the manner in which the campaign was conducted.

"They want the party hierarchy to listen and to change, sooner rather than later. What they do not want and do not like is for certain senior people who should know better to be on constant manoeuvres around the party, jockeying for leadership positions and generally being childish and disloyal.

"The Conservative Party in government has an excellent historic reputation for command and control, leavened by competence," Sir Robert said. "So let's see more of that and less of the backbiting and off-the-record briefing."

Nigel Evans, another member of the



How The Times reported cabinet divisions yesterday

1922 Committee executive, said that it supported Mrs May's efforts to get her cabinet "in line".

Mr Evans said: "If they're found to be briefing against one another and against the prime minister I don't think they should last any longer. And the PM does have the authority to do that and she'll have the backing of the 1922 if she does."

He was speaking after the prime minister delivered her expected rebuke, telling yesterday's cabinet that leaks from the previous meeting were "a case of colleagues not taking their responsibilities seriously."

Amber Rudd, the home secretary, said that reports of infighting were "perplexing", while acknowledging that ministers had "frank and full discussions" behind closed doors.

Mr Hammond tried to laugh off Labour taunts in the Commons yesterday insisting that he "didn't feel particularly enfeebled".

## Pay cap 'blocks public sector reform'

Sam Coates Deputy Political Editor

Ministers have been warned that the independent pay review system for the public sector is close to breaking down because the government insists on recommendations of below-inflation rises for millions of workers.

The warning from the Senior Salaries Review Body (SSRB) came as the government accepted the independent panel's recommendation of a 1 per cent rise for Whitehall mandarins, judges, health quango executives and senior military officers.

The cap on pay rises is causing "frustration and demotivation" among the best-paid public servants and getting in the way of workplace reforms, ministers have been told.

"In the current context, it is difficult for the SSRB to operate effectively. If the government continues to see value in having an independent body to

advise on senior salaries, we believe that some serious reflection is required about how to make better use of it," warned the body.

The 1 per cent rise is in line with those granted this year to public sector workers such as nurses and teachers, and comes at a time when inflation is running at 2.6 per cent and ministers are being pressed to end pay restraint.

The SSRB said that the cap — in place since 2013 and set to continue until 2019-20 — was making it "difficult" for it to do its job of recommending pay structures that will motivate staff and help improve public services.

While it found no evidence of widespread recruitment and retention problems among senior public servants, it warned that the position could "deteriorate rapidly".

Changes to pension tax were already having a damaging effect, it found.

Accepting the SSRB's recommend-

ation of a maximum 1 per cent rise, Damian Green, the first secretary of state, announced a review of senior civil service pay that could see changes implemented as soon as April 2018.

Ministers would consider "innovative" proposals to pay more to recruit for posts that are hard to fill and to attract "people of the right calibre", while keeping within the overall limit, he said.

But the FDA union, which represents senior civil servants, said that the 1 per cent "straitjacket" should be ditched.

While welcoming the promise of a review, Naomi Cooke, the FDA's assistant general secretary, said: "Reform of senior civil service pay needs to be fully funded and it needs to happen soon — the current government pay policy is failing and is doing so in a way that costs civil servants and costs the public dear."

The bulk of the senior civil service are almost £14,000 a year worse off than they were in 2010 in real terms.

## Never mind the dents in

Patrick Kidd  
Political Sketch



There are flashing lights on the dashboard, his engine is making a nasty gurgling sound and the road ahead, more pothole than tarmac, is sure to damage the suspension, but Philip Hammond appeared calmer than a Buddhist on barbiturates as he took his department out for a gentle spin before lunch.

The chancellor has never been an edgy driver but with the papers full of briefings against him, it would not have been a surprise to see him hunched over the dispatch box at

Treasury questions, eyes darting left and right to spot the next hazard. Instead, he pulled on his leather driving gloves, caressed the walnut gear knob and eased out in to traffic.

Nothing unsettled him. Peter Dowd (Lab, Bootle) used words like "humiliating", "debacle", "U-turn" and "nightmare neighbour", saying that the "enfeebled chancellor" had lost his authority. "I do not know which planet he lives on, but I do not feel particularly enfeebled," Mr Hammond replied. When Jonathan Reynolds (Lab, Stalybridge & Hyde) remarked that a transitional chancellor was more likely than a transitional deal on Brexit, Mr Hammond merely chuckled.

He knows that colleagues are dripping poison into the ears of the scribblers but he also knows that it reflects badly on them. Mr Hammond could even afford a joke about it. To

## the bodywork, Hammond's cruising

Catherine McKinnell (Lab, Newcastle upon Tyne North), who asked what chats he has had with Chris Grayling, the transport secretary, about the Tyne and Wear Metro, he replied: "I take a very clear view about the confidentiality of conversations between cabinet ministers."

He sought bridges, not battles. He welcomed a suggestion by Chris Leslie (Lab, Nottingham East) that he champion a softer Brexit to protect the national finances and gave a similar wink to Nicky Morgan (C, Loughborough), chairwoman of the Treasury select committee.

"I look forward to being grilled or toasted by her," he said. "Or whatever the correct expression is." Mr Hammond seems to be more of a boil-in-the-bag witness, wet and not especially filling, but again it showed a man at ease with his position.

Why, he may have mused, being a

chancellor is so easy that even a woman can do it. Mr Hammond is apparently fond of saying such things in cabinet. And so he let Liz Truss take the wheel for a spell.

The continued presence of Ms Truss in the cabinet is one of the great political mysteries but she has changed a bit since the election. She still resembles an angry squirrel that has misplaced her nuts, but she stood a little taller at the dispatch box, spoke a little deeper and addressed the opposition more directly. I do believe she is aiming for gravitas, an effect spoilt only a little when she did quotation mark gestures with her fingers while talking of Labour's (waggle, waggle) "ambition" on tuition fees. No serious cabinet minister needs to give the finger waggle.

The squirrel was driving when John McDonnell, the shadow chancellor, tried to run the government off the

road. Mr Hammond, he said, was "a multi-millionaire earning £145,000 a year, admittedly in a temporary job, and living in two grace-and-favour properties at the taxpayer's expense". He had a pop at his opposite number for, as was claimed in another briefing from the payphone outside the cabinet room, calling public sector workers "overpaid".

Ms Truss defended her boss robustly. "Get your facts right," she said. Teachers' pay went up by 3.3 per cent last year and most NHS workers got a rise of 3 per cent. "I note she did not refute the fact that the chancellor said that staff were overpaid," Mr McDonnell remarked. Mr Hammond, sitting in the passenger seat, just beamed. He did not wrench the wheel from his deputy. There may be dangerous bends ahead, but the chancellor wants people to think that he has plenty more miles left in him.

## Rural councils demand power to raise £2bn in tax

Lucy Fisher  
Senior Political Correspondent

Rural council leaders will today demand that Theresa May grant them powers to raise and retain tax of at least £2 billion after she gave £1 billion to Northern Ireland as part of her deal with the DUP.

The County Councils Network (CCN), which represents 37 authorities, will ask for a "fair share of national resources" and the power to retain income tax and council tax to address funding disparities between rural and urban areas.

The CCN says that rural county authorities receive £292 less than London for important services, including buses, children's centres and pot-hole repairs, and £166 less than metro-

politan boroughs. Last year county councils and county unitary authorities were estimated to have received £2 billion less in national funding for health and social care services compared with the average, despite having the highest proportion of elderly people.

Council leaders said that "for too long funding inequality in the counties has been tolerated". The group will tell Mrs May that failure to address the disparity risks alienating rural residents.

Paul Carter, the Tory leader of Kent county council, said: "We cannot continue to deliver high-quality frontline services and push through innovation when we are the lowest funded authorities. If new deals are being agreed in other parts of the UK, then so should the areas that form the backbone of England's society and economy."